

MINUTES OF DIRECTORS MEETING
LANE TRANSIT DISTRICT
STRATEGIC PLANNING WORK SESSION

Wednesday, March 31, 2015

Pursuant to notice given to *The Register-Guard* for publication on March 26, 2015, and distributed to persons on the mailing list of the District, the Board of Directors of the Lane Transit District held a strategic planning work session on Monday, March 31, 2015, beginning at 9:00 a.m., at the LTD Board Room, 3500 E. 17th Avenue, Eugene, Oregon.

Present: Gary Wildish, President
Carl Yeh, Vice President
Julie Grossman, Secretary
Ed Necker, Treasurer
Gary Gillespie

Jon Hinds, Citizen Budget Committee Member
Donald Nordin, Citizen Budget Committee Member
Dean Kortge, Citizen Budget Committee Member

Ron Kilcoyne, General Manager
Jeanne Schapper, Clerk of the Board
Lynn Taylor, Minutes Recorder

Vacant: Position 3

Absent: Angelynn Pierce
Dwight Collins
Edward Gerdes

CALL TO ORDER/ROLL CALL: Mr. Wildish called the meeting of the Lane Transit District (LTD) Board of Directors to order and called the roll.

WELCOME BY BOARD PRESIDENT: Mr. Wildish welcomed those present and thanked them for participating in the work session. Those present introduced themselves and shared their length of LTD service as Board and citizen Budget Committee members and staff.

DISCUSSION OF STRATEGIC QUESTIONS REGARDING LTD'S BUDGET AND SERVICE FOR FISCAL YEAR 2015-16 AND BEYOND:

Financial Update: Finance Manager Todd Lipkin said that the District's financial outlook was positive with increased fare revenue and reduced costs, particularly fuel. He said that the storage of fuel purchased at low prices helps to mitigate against future price increases. He said that the payroll tax revenue was somewhat behind budget due to the ongoing effects of a take back in taxes that was erroneously paid by an employer in the prior year and was not discovered until the current budget was in place. He said that the increasing trajectory of payroll taxes was consistent with budget projections. The category of materials and services

was under budget, and Accessible Services Fund transfers from the General Fund were lower than projected thanks to increased legislative support for paratransit services. He anticipated that the Accessible Services Fund transfer amount in the new budget would double.

Mr. Lipkin explained that full funding for the West Eugene EmX Extension project had been appropriated at the state and federal levels, with the state matching dollars already available to LTD. He said that the federal dollars would become accessible once a grant agreement was completed. An agreement would be finalized in about two months, and LTD had sufficient cash reserves to proceed with the project.

Mr. Kortge pointed out that the District's General Fund continued to support accessible services because the District was obligated to provide paratransit services whether or not state dollars were available to supplement those costs.

In response to a question from Mr. Kortge, Mr. Lipkin said that the lawsuit pending in the 9th Circuit Court of Appeals was unlikely to prevail; but if it did, LTD would only need to address some environmental updates; construction activities would not be affected.

Mr. Lipkin said that several years ago, the Board decided to move the administrative employees' pension from a defined benefit to defined contribution plan to mitigate rising costs. He said that this action closed the defined benefit plan, and the Pension Trust had begun discussions of asset allocation and investment. He said that the District was on a 20-year funding strategy and is currently at 68 percent, with a target of 75-85 percent funded. He said that a change to the Amalgamated Transit Union (ATU) plan also was negotiated, which applied any negotiated changes to the benefit paid per hour to only future years of service and avoided future unfunded gaps. He said the ATU plan's funded percentage was 62.1, with a 20-year funding strategy like the administrative plan's.

Mr. Kortge asked if any consideration had been given to off-loading benefits to an insurance company. Mr. Lipkin said that had not yet been discussed but could be considered by the Pension Trust at its next meeting.

In response to a question from Mr. Necker, Mr. Lipkin said that Accessible Services Fund revenue was shown in the budget under Federal and State Assistance.

Economy: Controller Tom Schamber said that a number of LTD staff had attended the Eugene Chamber of Commerce's Economic Forecast. The Eugene-Springfield area was in its sixth year of economic expansion, with growth likely to continue for at least another year. He listed a number of employers that were expanding in the local area and said that the current unemployment rate was 6.1 percent. He used a chart to illustrate various economic trends at the local and state levels, including job growth. He said that 50 to 60 percent of the jobs lost in 2008 had been recovered, which was a very positive trend. He said that the number of local businesses also had returned to pre-recession numbers, although that did not address the number of employees per business. The major economic unknown in the next year was the Federal Reserve's decision on interest rates.

Mr. Wildish asked if there was information available on the area's average income. Mr. Schamber said that was not addressed in the presentation, although other sources indicated that the average income was steadily growing as the labor market tightened.

Mr. Gillespie said he was encouraged by the opening of a new Veterans Administration clinic as those jobs tended to be living wage jobs. He asked if there had been discussion of potential legislative action to increase the minimum wage. Mr. Lipkin said that the discussion focused on the impact on at-risk youth and employees, rather than the impact on businesses.

Legislative Update: Government Relations Manager Edward McGlone said that there were two major funding issues of interest to LTD in the legislature: elderly and disabled transportation funding, and student bus pass funding. He noted that during the past session, the legislature had significantly increased state support for paratransit services, resulting in \$1.5 million going to LTD this biennium. The Oregon Transportation Forum was advancing a large package of transportation measures, including a recommendation for funding elderly and disabled transportation at the true need level of approximately \$75 million. He said that he doubted that amount would become available, but he hoped to see an increase over last year's funding level.

Mr. McGlone added that a pilot project currently in the legislature would fund the student transportation pass program at \$2 million for the biennium, and he felt that the proposal was competitive in the budget discussions.

Mr. Necker asked what percentage of an elderly and disabled transportation appropriation would be received by LTD. Mr. McGlone replied that LTD received approximately 15 percent of the statewide funding amount.

Mr. Gillespie commended Mr. McGlone's efforts at the legislature on behalf of LTD and noted that creation of his position had been very beneficial to the District.

West Eugene EmX Extension Update: Director of Customer Services and Planning Andy Vobora said that during the past two years, LTD staff had been working with residents and businesses along the corridor to mitigate issues and develop solutions. He used maps to illustrate some of those solutions and how they had benefited the community in a variety of ways, including addressing parking issues and increasing pedestrian safety. He mentioned the business support program, which included Small Business Development Center workshops, bus passes for employees of businesses along the construction route, and robust advertising for businesses during construction.

Mr. Vobora said that construction had begun along Charnelton Street and described efforts to minimize disruption to activities in the area. Construction activities would follow on 6th and 7th avenues, Garfield Street, and West 11th Avenue. He said that new buses had been ordered and would be constructed during the spring and summer. Once delivered, the buses would be worked into the rotation.

User Benefit Upgrades: Marketing Manager Russ Arnold demonstrated the new LTD website that would incorporate real-time information for users and which he hoped would launch in mid-June. He said that LTD was partnering with Google to provide a real-time data

trip planner, and a mobile-enhanced version was being developed using smart phone GPS information.

Mr. Gillespie asked if individual bus stop identifying numbers would be added, as that was a helpful component of TriMet's application. Mr. Arnold said that bus stops were currently identified by location but that staff had discussed using actual stop numbers. He added that the District's phone system was being upgraded to voice over internet protocol (VoIP), which allows for more enhancements to the system and real-time feed.

In response to a question from Mr. Yeh, Mr. Arnold explained how route information could be downloaded to computers and phones.

Mr. Nordin said that there had been some concerns expressed in the community about the Eugene Water & Electric Board's (EWEB) smart meters and asked if any concerns had been expressed about increased radiation from more infrared communication between buses and devices. Mr. Arnold said that the system already existed; the changes would only make it accessible to the public and not result in any increases in infrared communication or radiation. He had not heard of any concerns to date.

Mr. Kilcoyne noted that many transit districts already used the system and he was not aware of any objections from the public.

Mr. Hinds asked how route revisions on time points would be factored into the system. Mr. Arnold said that when changes occurred, they would automatically be incorporated.

Ms. Grossman asked about the new technology for purchasing fares. Mr. Arnold said that the new VoIP phone system would enhance a number of customer services activities, including expanding options, rider amenities, speeding up response times, call back options, and many other benefits still being developed. He hoped to program the system to enable people to call in with a touch-tone phone and access real-time information about bus location and times.

Strategic Plan: Mr. Vobora reviewed development of LTD's Why statement: "*We provide people with independence to achieve their goals, creating a more vibrant, sustainable and equitable community.*" He also reviewed the How statements, which express the District's core values, and the What statements, which identify the District's strategic goals. He said that goals, performance outcomes, and metrics would inform department work plans and budgets.

Mr. Vobora stated that feedback from community focus groups was being used to identify community perceptions about the District and develop a campaign to humanize the LTD brand. He said that it was clear that perceptions changed significantly when participants were given information about all of the products and services provided by LTD, and that different outreach strategies were required to assure that the community was well informed about the District. He added that the District employees' wide range of involvement in the community, along with rider human interest stories, also would be used to put a face on LTD for the public. A number of media channels would be used to conduct a robust education effort to inform people about the District and its services.

Ms. Grossman commented that many people in the focus groups were unaware that services such as RideSource, Point2point, and EmX were part of LTD. She said she liked the idea of branding to assure that all products and services were clearly identifiable as being provided by LTD. Mr. Vobora said that the process of rebranding to assure that LTD was clearly identified as the provider of various services was in progress throughout the organization.

Mr. Gillespie encouraged the use of rider stories to demonstrate the value of transit to the community and contradict negative information that had been disseminated.

Mr. Yeh agreed that LTD's current branding strategy was fragmented and was pleased to see rebranding efforts.

Mr. Hinds asked if staff had considered using community television to broadcast a periodic update on what was occurring at LTD. Mr. Vobora said that was done in the 1980s and that staff would revisit the issue.

Mr. Wildish commended the use of rider stories to humanize LTD's services. He said that it was hard to argue with a person and his or her need for transit services, and there were thousands of people in the community that relied on LTD.

Mr. Necker agreed with the importance of putting a face on transit.

Past to Future: Mr. Kilcoyne said that the retirement of a number of senior administrative staff in 2014 created opportunities for the internal promotion of key staff, hiring of fresh, new talent, and department reorganization to create a strong position from which LTD could move forward. He said that the reorganization had enabled LTD to become a more efficient and effective organization in several areas, such as the creation of an internal auditor position. He said that improved efficiency and conservative budgeting had contributed to allowing the District to begin restoring some services that had been reduced over the years. He said that more robust enhancements have been planned for the future, although they will require some difficult decisions by the Board and Budget Committee on how to move ahead.

Mr. Kilcoyne said that a key task for the District was to determine the vision for transit in Lane County. The optimal transit network and the community needs should be met in terms of span, frequency, connectivity, and coverage of service. He said that the first step in the planning process, termed *MovingAhead*, was a review of the eight corridors identified in the frequent transit network (FTN). Those corridors were identified in TransPlan many years ago and remain the areas in which high frequency service is warranted. He said that of the eight corridors, four would be identified as priorities for receiving enhancements. The next step would be beginning the environmental work. This approach would consider the entire network at once and try to advance components throughout the network, rather than taking one corridor at a time. He said that in addition to identifying the community's vision for transit and transit needs, the process would need to address how to fund that system in order to make the vision implementable.

Mr. Kilcoyne said that factors such as planned development along identified transit corridors, an aging population, and goals for decreasing greenhouse gas emissions would increase the importance of a comprehensive transit system and the resources to sustain it. He said that the first step was the need to raise the payroll tax. He said that he reviewed the history of

legislative authorization for LTD and TriMet to incrementally raise the payroll tax. Implementing the tax increase would require the Board to make a finding of economic recovery. Last year LTD commissioned a study, which determined that there had been economic recovery in the region; however, concerns from the business community caused the Board to direct that the Long-Range Financial Plan (LRFP) assumptions would not project implementation of a payroll tax increase until January 1, 2017.

Mr. Kilcoyne said that initially a payroll tax increase was necessary to sustain existing service; however, a number of factors indicating continuing economic growth meant that a payroll tax increase would allow for a substantial increase in service, although this would not result in an optimal system. Significant investments at this point would demonstrate to the community LTD's good faith effort to meet identified needs. An outreach effort with the business community had begun and would continue to expand that two-way discussion. He presented the Board and Budget Committee with two questions to consider:

- 1) Does LTD believe the community deserves increased amenities and better service levels?
- 2) If so, how much, and when?

In response to a question from Mr. Necker, Mr. Kilcoyne said that if the economy continued to rebound and the payroll tax was increased, substantial service improvements were possible. He added that he did not believe that restoring the full level of service and meeting a significant increase in the demand for services in the future would be possible without funding from one or more additional sources.

RECESS: The Board and Budget Committee took a short break at 10:30 a.m. and reconvened at 10:40 a.m.

Community Investment Scenarios: Mr. Lipkin reviewed the following scenarios in the current LRFP:

- Scenario 1 assumes implementation of a payroll tax increase in January 2017, with a single step increase each year over a 10-year period: \$750,000 of service and user benefit additions in the first two years, and \$1.1 million of additions in the third year.
- Scenario 2 assumes implementation of a payroll tax increase sooner than January 2017, with a single step increase each year over a 10-year period: \$750,000 of service and user benefit additions in the first year, and \$1.2 million of additions in the second and third years.
- Scenario 3 assumes no payroll tax increase: No increase in service or user benefits in the first and second years, the West Eugene EmX investment in the third year, significant limitations on user benefits upgrades, and no operational support for the fare management system.

Mr. Lipkin said that the current schedule called for the Board to approve the LRFP on May 20, 2015, prior to the Budget Committee meeting that would immediately follow. He said that all other assumptions in the LRFP were the same as in previous years. He invited feedback from members on the three scenarios.

Ms. Grossman asked if it was possible to qualitatively illustrate what service increases might look like based on local planning initiatives and feedback from the community on what it wants, and then prioritize those enhancements and determine what each revenue increase over the first three years of the LRFP would buy. Mr. Vobora said that it would be challenging to identify specific service additions, but the revenue increase equated to an approximate 12 to 13 percent increase in service hours. He said that the third scenario of no increase was tied to the Board's decision on April 15, 2015, regarding the proposed service package. He said that the Service Advisory Committee was discussing how to prioritize what the community was asking for in relation to what supported other plans. He said that the proposed service package included an increased span of service in the evening in response to community demand. The mid-term plan consisted of a list of service enhancements that had not yet been funded, many of which related to service frequency. He said that this plan could help illustrate to the community how its feedback helped to guide LTD's investment decisions.

In response to a question from Mr. Necker, Mr. Lipkin said that the scenarios reflected the additional revenue that would be realized each year.

In response to a question from Mr. Gillespie, Mr. Lipkin said that the proposed service package to be considered by the Board on April 15 was based on an assumption in the current LRFP of implementing the payroll tax increase in January 2017. He said that the increase in service was not sustainable without the payroll tax increase. Moving the implementation of a tax increase to January 2016 would compound the District's ability to add service in successive years. He said that those were issues that the Board would consider during their decision making as to when to implement a payroll tax increase.

Mr. Hinds asked what the long-term financial implications for the fare management system would be if there were not a tax increase. Mr. Lipkin said that the fare management was more of a user benefits issue than a financial issue. He said that LTD currently had the least expensive fare management system and would not require significant new investments; however, implementing the new system would require investments in order to significantly expand user benefits and increase system efficiency. Mr. Kilcoyne said that it was difficult to quantify whether the benefits of a new system would exceed the costs, but it would increase efficiency, potentially reduce incidents of fare evasion, and increase fare revenue.

Mr. Hinds said that it would be good to invest in new fare management technology. If LTD increased service and then had to cut it because the payroll tax was not increased, it would feed into negative perceptions from some in the community about the District's financial management. He said that he did not support increasing service without the ability to sustain it in the future. If service was increased, it could be attractive to businesses that were considering locating in the area. He added that expanded service could be an economic tool for cities and chambers of commerce.

Mr. Kortge reflected on earlier discussions of the need to determine LTD's key purpose and the basic services being provided. He said that it was important to be able to identify specifically how the revenue from a payroll tax increase would be invested in service expansion and enhanced user benefits. He said that he agreed with Mr. Hinds that new fare management technology was a good investment.

Ms. Grossman asked if LTD had a representative on the South Willamette Economic Development Commission. Mr. Kilcoyne said that there was not currently an LTD representative on the commission; but he had discussed the matter with Eugene City Manager Jon Ruiz, who indicated that there would be an opportunity for LTD representation at the third tier of the planning process in late Summer 2015.

Mr. Kortge asked what service increases would result from a \$750,000 investment. Mr. Vobora said that the proposed service package expanded service on 13 routes that would run an hour later in the evening, increased frequency on the River Road corridor during mid-day, and extended service to the Veterans Administration clinic. Mr. Kilcoyne added that the proposed service package would be implemented during Fiscal Year 2015-16. Service packages for the next two years had yet to be determined. The mid-term plan included a long list of service additions to consider, as well as obtaining more feedback on those options from the community, stakeholders, and partners.

Mr. Vobora said that the frequency on some corridors would increase because of the need to reconfigure some routes when West Eugene EmX became operational. He said that the Moving Ahead process would capture the community's vision for high frequency corridors in terms of transit and other transportation modes.

Mr. Lipkin offered that staff would provide the Budget Committee with specific information on what \$750,000 would purchase in terms of service and user benefits based on the Board's decisions.

Ms. Grossman commented that it was easier to obtain support for a payroll tax increase if it was buying additional levels of service instead of just sustaining the current level.

Mr. Nordin said that he hoped to see increased investment in the Point2point program, which offered access to alternative transportation modes like bike sharing at a lower cost. Mr. Vobora noted that it would be beneficial for LTD to be able to support programs like bike share in partnership with other entities in the community.

Mr. Gillespie remarked that increased user benefits described by Mr. Arnold would help riders navigate the system and promote greater connectivity.

Mr. Wildish asked Board and Budget Committee members to comment on the questions posed by Mr. Kilcoyne and issues raised during the subsequent discussion.

Mr. Yeh said that long-term sustainability was necessary for any increases in service.

Mr. Gillespie said that he preferred systematic implementation and supported moving the payroll tax increase to January 2016. He said that there should be a list of service additions and enhancements that would be implemented with each year's increased revenue from the payroll tax. He said that it was important to look beyond crises and plan for further improvements to the system. He said that improving an aspect of the transportation system for "choice" transportation users raised the likelihood for increased ridership. He said that making a smart phone application available to allow access to real-time travel information could capture a new ridership population. He said that it was critical to the concept of West Eugene EmX connectivity.

Mr. Necker said that he was inclined to support earlier implementation of a payroll tax increase, and he agreed with earlier speakers about presenting a tangible list of what the additional revenue would buy.

Ms. Grossman said that she also supported a January 2016 payroll tax increase to the extent that it could be shown to complement the greater vision for the community. She said that there had been many ongoing discussions throughout the region, and there was definitely a feeling that action needed to begin on many of the strategies, including transportation. She said that she supported the increase so long as it was part of the larger community's vision. She noted that the Economic Forecast presentation highlighted transportation as a positive economic factor in the region.

Mr. Kortge said that it appeared that the region's economic stability would support a payroll tax increase; the question was when it should be implemented. It was necessary to defend the increase with information on what benefits the community would realize from the tax increase. He said that he supported a payroll tax increase in January 2016.

Mr. Nordin stressed the need for revenue to support the system and continue to improve it. He indicated his support for an earlier implementation date of January 2016 for the payroll tax increase. He said that, ideally, the payroll tax could be replaced with another revenue source that would provide the necessary funding for future expansion.

Mr. Hinds pointed out that LTD had been recognized as the best mid-sized transit system in North America. He said that if the payroll tax was not increased, the system would become stagnant and unable to respond to community needs, expand service, and improve access and flexibility.

In response to a question from Mr. Wildish, Mr. Vobora said that the proposed payroll tax increase would result in an annual increase of \$100 for an employer with a \$1 million payroll.

Mr. Wildish observed that the word "tax" had negative connotations, but translated into the actual dollar amount for an employer put it in perspective. He said that he was pleased with outreach efforts to the business community and liked the strategy of humanizing the face of LTD to the community because it was people serving people.

Mr. Lipkin reiterated that staff would provide information regarding the financial impact on a business, based on the size of the business, to help Board members communicate that information. He asked if the Board and Budget Committee wanted the LRFP to assume an earlier payroll tax implementation in January 2016, which would solidify the three-year strategy on that basis, or leave the assumption at a January 2017 implementation. He also invited input on the timing of making a finding of economic recovery, which was required in order to implement a tax increase.

Mr. Kortge cautioned about perception and said that a budget should not be formulated based on the assumption of a payroll tax increase until the Board had made a decision.

Mr. Necker said that he preferred to not assume an increase in the LRFP until a decision was made.

Mr. Gillespie suggested, for purposes of comparison, two scenarios: one that assumed an earlier increase in the tax and one that did not. He said that his decision on earlier implementation of a payroll tax increase would hinge on what the two scenario budgets would look like separately.

Mr. Kilcoyne clarified that Mr. Kortge said that he did not believe the LRFP should assume an increase earlier than 2017 without Board action, although that did not preclude the Board from taking action to implement earlier.

Mr. Kortge said that his concern was based on the perception that preparing a budget prior to Board action meant a decision had already been made.

Mr. Lipkin said that the timeline for implementation of an increase in January 2016 would require notification of the Department of Revenue on September 1, 2015. That meant that a finding of economic recovery would need to occur in June, followed by first and second readings and then adoption of an ordinance. He said that he hoped that the Board's decision on an increase could occur over the summer in order to give Service Planning staff some clarity for developing the service package. The service package that the Board would consider at its April 15, 2015, meeting was only sustainable with a payroll tax increase effective no later than January 2017. He noted that making a finding of economic recovery was required as a preliminary step, but that action would not actually increase the payroll tax rate. He suggested that the decision could be made at the April 15 meeting; and approval of a service package, contingent on a tax increase, also would be considered.

In response to a question from Mr. Gillespie, Mr. Lipkin clarified that an earlier implementation date of January 2016 would result in an increased investment of \$500,000 in each subsequent year, compared with a January 2017 implementation.

Mr. Wildish said that it was important to avoid a perception by the community that decisions were made prior to community consultation. He said that he preferred to remain with the LRFP assumption of a January 2017 implementation date, with the option to consider an earlier implementation.

Mr. Lipkin said that if the LRFP was based on the assumption of a payroll tax increase in January 2017, there was no reason not to present it to the Board at its April 15 meeting.

Mr. Wildish determined that there was consensus among Board and Budget Committee members to approve the LRFP in April with the current assumptions, including January 2017 implementation of a tax increase.

Mr. Vobora distributed copies of the LTD Brand Book.

ADJOURNMENT: Mr. Wildish thanked everyone for their participation and adjourned the meeting at 11:45 a.m.

LANE TRANSIT DISTRICT:

ATTEST:

Julie Grossman
Board Secretary

Jeanne Schapper
Clerk of the Board